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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

October 12, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: In the Matter of Telephone Number Portability
CC Docket No. 95-116

Dear Mr. Caton:

Pursuant to Sections 1.415 and 1.419 of the Commission's Rules, enclosed please find an original and four copies of the Comments of the Ad Hoc Telecommunications Users Committee, in the above captioned matter. Please date stamp the additional copy and return it with our messenger.

If you have any questions regarding this filing, please do not hesitate to call.

Sincerely,

James S. Blaszak

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-116
Telephone Number Portability	)	

REPLY COMMENTS OF THE AD HOC TELECOMMUNICATIONS USERS COMMITTEE

The Ad Hoc Telecommunications Users Committee ("Ad Hoc") hereby submits its reply to comments filed in response to the Commission's Notice of Proposed Rulemaking, FCC 95-116 (released July 13, 1995) ("NPRM" or "Notice") in the above-captioned proceeding.

Contrary to the Local Exchange Carrier ("LECs'") assertions,[1] service provider number portability is critical to the efficient development of local exchange competition. Lack of true number portability creates a major obstacle to competition in the local exchange market.[2] Market surveys sponsored by various parties in this proceeding indicate that consumers are reluctant to switch to local service providers when such a

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1 See, e.g. Comments of the United States Telephone Association ("USTA") at i; Comments of the Pacific Companies at 3; Comments of BellSouth Corporation ("BellSouth") at 5-6; and Comments of the SBC Communications Inc. ("SBC") at 9.

2 See, e.g., Comments of Time Warner Communications Holdings, Inc. ("TWComm") at iii; Comments of AT&T Corp. at i; Comments of the Association for Local Telecommunications Services ("ALTS") at 2; Comments of MFS Communications Company, Inc. ("MFS") at 2-4; and Comments of Teleport Communications Group Inc. ("Teleport") at 1-2.

change means new telephone numbers and the concomitant need to inform all of their contacts of the new number.[3] From the perspective of business users, the lack of local number portability would be a major impediment to switching to alternative local service providers in instances where alternative service providers exist. Lack of local number portability would force business users to incur significant costs, risk loss of business, and suffer various other inconveniences were they to change local service providers for any application involving inward calling.[4] Local number portability is a threshold condition for business customers to change their local service provider.

Some studies, such as the ConStat study[5] sponsored by Pacific Bell, suggest that the lack of number portability can be overcome by CLEC's through rate discounting relative to the incumbent's rate levels. However, the ConStat study makes incorrect and unrealistic assumptions about the levels of discounts that CLECs will need to offer in order to attract new customers. According to the ConStat study, customers are willing to change local service providers when large discounts are offered,[6] but does

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3 See, Comments of TWComm at Appendix A and Comments of MFS at Exhibit A.

4 Multi-line business users could in principle split their total demand between the incumbent Local Exchange Carrier ("LEC") and a Competing Local Exchange Carrier ("CLEC") by retaining the former's service on incoming traffic while shifting outward calling to the new entrant, if the latter offered some cost or other incentive for the move. However, where a customer divides its total traffic volume in this manner, average trunk utilization and efficiency will necessarily be compromised, and additional trunk termination equipment on customer premises PBX equipment may be required. Moreover, even if this scenario were to develop in the market, which seems unlikely, the effect would be to produce a significant traffic imbalance for the LEC/CLEC interconnection, with the CLEC terminating far more traffic on the LEC's network than would occur in the reverse direction with likely adverse economic consequences for the CLEC.

5 *"Analysis of Potential Local Access Competition and Interconnection Issues - Business Market,"* prepared by ConStat, Inc. for Pacific Bell, May 1995, Attachment A to the Comments of the Pacific Companies.

6 Comments of the Pacific Companies at Appendix A, 22-23.

not discuss the economic feasibility of CLECs offering such discounts. The ConStat study found that for residential customers, "[a]lmost one quarter (24%) of the respondents were willing to pay to retain their number and these customers are willing to pay about $5.00 per month to retain their number."[7] In other words, number portability is so important to 24% of the respondents that they are willing to pay a large monthly fee in order to retain their telephone numbers. The ConStat study suggests that a Competing Local Exchange Carrier ("CLEC") will have to offer a discount of at least $5.00 to induce these customers to switch, since at any lesser discount (coupled with the $5.00 number portability charge) the total price for the CLEC's service may then be greater than that charged by the incumbent for local service.

As part of their strategy to protect their market position, LECs propose to impose a number portability charge.[8] The Commission should recognize the parallel between the notion of a "number portability charge" for using a competing local carrier and the now-discredited "Protective Connecting Arrangement" ("PCA") charge that LECs had imposed upon users seeking to interconnect their own customer premises equipment (CPE) in the aftermath of the Carterphone decision. Use of the Carterphone Device in Message Toll Telephone Service, FCC 68-661, 13 F.C.C. 2d 420 (1968). The monthly PCA charge (of about $6.00) often exceeded the monthly rate for the telco-supplied CPE (such as an extension telephone that rented for $1.25 per month) that was to be

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[7] Comments of the Pacific Companies at 8.

[8] Comments of NYNEX at 10, Comments of GTE at iv-v, Comments of SBC at 13, and Comments of Ameritech at 6-7.

replaced. Like the PCA, the imposition of any explicit "number portability charge" will be a serious impediment to the development of effective local competition. Like the market for CPE, which did not become competitive until after the PCA requirement was eliminated, the imposition of any sort of fee or penalty upon customers who elect to take service from a competitor to the LEC will likely foreclose any serious possibility of competitive development in the local exchange market.

Recovery of the cost of implementing service provider number portability should be competitively neutral and not serve to introduce yet another source of competitive disadvantage for the CLECs. Specifically, since local competition is expected to be broadly beneficial to all business and residential consumers, whether they individually remain with the incumbent LEC or take service from a competing local provider, the costs of local number portability should be broadly distributed to all providers in proportion to their respective use of numbering resources.[9] Should remote call forwarding ("RCF") and flexible direct inward dialing ("DID") be used as interim options, their costs (which are in any event largely de minimis) should similarly be spread broadly across all users of numbering resources, without any explicit charge imposed upon competitive local service providers.[10]

Moreover, the technical "solutions" recommended by incumbent LECs[11] to implement number portability are unsatisfactory. These solutions - RCFand DID - do

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9 Comments of ALTS at ii-iii,Comments of USTA at 13-16, and Comments of TWComm at 22-24.

10 Comments of TWComm at 21-22, Comments of National Cable Television Association, Inc. at 12-13 and Comments of The Ad Hoc Coalition of Competitive Carriers ("Ad Hoc Coalition") at 20.

11 See, e.g., Comments of Ameritech at 12-13; Comments of Bell Atlantic at 4-5; and Comments of BellSouth at 56.

not provide the same technical quality as true number portability and are extremely costly to new entrants. Several parties have indicated that such "solutions" would generate enormous technical difficulties, produce inferior access, and cannot compare to true number portability.[12] If the Commission wants to promote competition in the local exchange market, it should require that the best and most efficient technology available be used to provide both interim and permanent solutions. Nevertheless, Ad Hoc recognizes the need for interim solutions to the local number portability problem. The interim solutions, however, are just that: they are interim solutions, not substitutes for permanent more desirable solutions to the local number portability problem.[13] The interim measures should be designed so to minimize the current competitive disadvantages faced by CLECs, and should not delay implementation of the permanent solution or compromise in any way the feasibility of current technologies.[14]

The Commission must play a critical role in ensuring that a permanent number portability solution will be implemented in an expeditious manner. Ad Hoc urges the Commission to work in conjunction with the Industry Numbering Committee ("INC") and to be involved at all stages of number portability trials and discussions. Moreover, the Commission should define national guidelines and coordinate all industry efforts to

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12 See, e.g., Comments of TWComm at appendix B; Comments of AT&T at 11-15; and Comments of Teleport at 6-7.

13 See, e.g., Comments of The Ad Hoc Coalition at ii.

14 TWComm at 14. The comments strongly suggest that for the time being the Commission and the industry should focus on the development of service provider number portability. Location and service portability should come later if the costs of providing them are not prohibitive. TWComm Comments at 9-11, USTA at 3, 8, Teleport at 4-6, Ad Hoc Coalition at i, and Telecommunications Resellers Association at 3-10.

reach the best technical and economically efficient national solution. Without effective service provider local number portability, local exchange competition is very unlikely.

Respectfully submitted,

AD HOC TELECOMMUNICATIONS
USERS COMMITTEE

By: [signature]

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Certificate of Service

I, Einar Torbjornsen, hereby certify that true and correct copies of the Comments of the Ad Hoc Telecommunications Users Committee in the Matter of Telephone Number Portability, on this 12th day of October, 1995 via hand delivery upon the persons on the attached service list.

Einar Torbjørnsen

October 12, 1995

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